Panel II.C Storage Facilities and Expansion

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Summary

- SoCalGas is one of the nation's largest provider of storage services. Our current capacity exceeds the requirements of our customers.

- Customers can use storage to provide alternatives to interstate pipeline service.

- We continue to believe the Commission should utilize existing proceedings to review storage needs for the core market. We also believe the Commission should rely on noncore customers to select the level of storage to meet their needs.

- Firm receipt access rights will add significant benefits to all storage customers.

SoCalGas Storage

- SoCalGas has the largest natural gas storage capacity in the Western U.S. The storage fields are integrated with the SoCalGas backbone transmission system and load centers.

- Current capacities are:
  - 122 Bcf of inventory
  - 850 MMcfd of injection capacity
  - 3,125 MMcfd of withdrawal capacity

- Combined with use of 3,875 MMcfd of firm receipt capacity of interstate and intrastate supply, SoCalGas' system is capable of meeting on-system peak day demands of 6 Bcf.
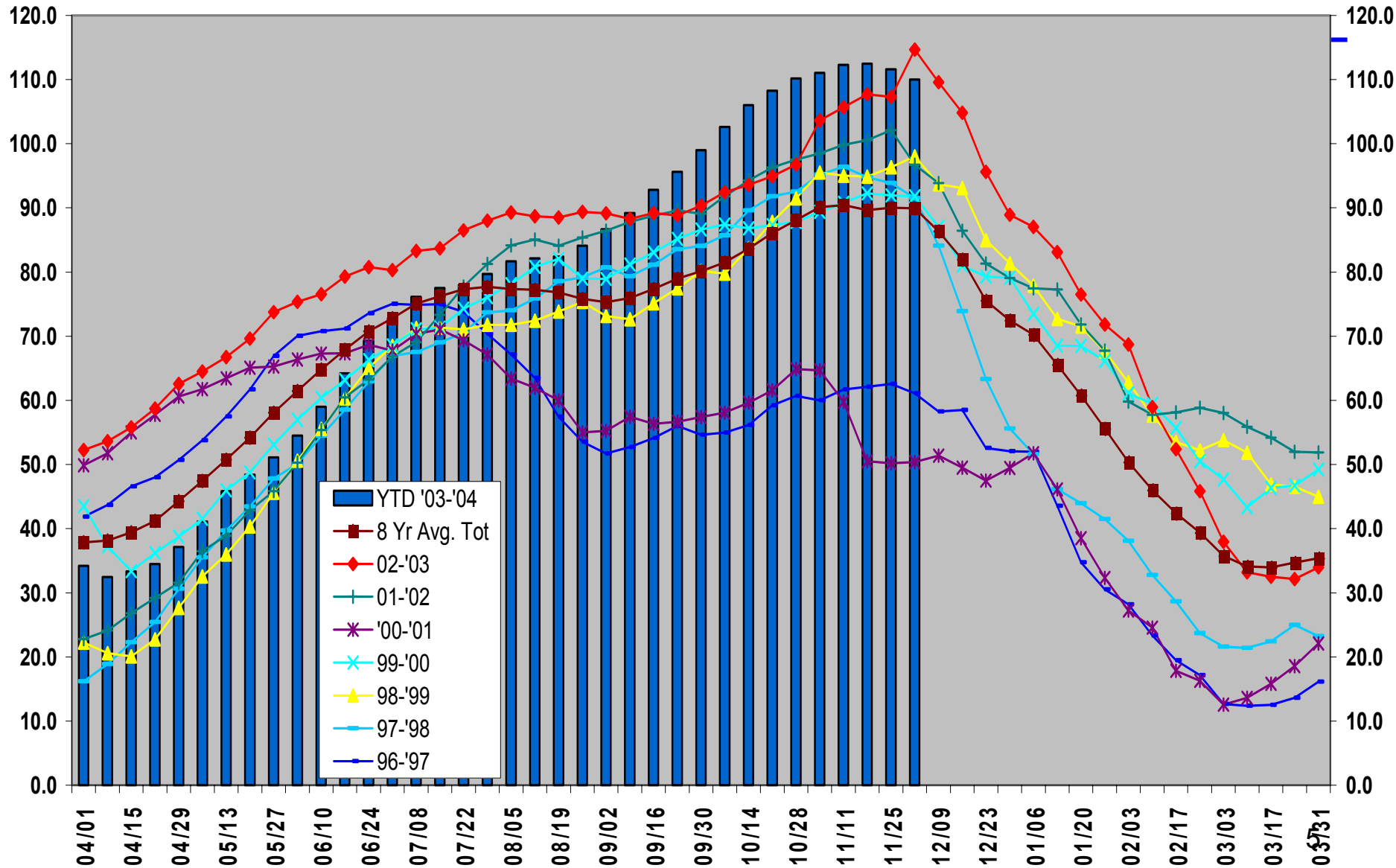
Storage Customers

- The SoCalGas Core market is allocated 50 – 60% of the these storage capacities to meet core reliability and procurement targets. Specifically:
  - 70 Bcf of inventory
  - 327 MMcfd of injection
  - 1,935 MMcfd of withdrawal
- SDG&E will propose to increase its storage reservation to enhance core reliability and reduce procurement costs.
- Of the remaining capacity, a small portion is used for load balancing and the rest is part of the unbundled storage program marketed to noncore customers and other market participants.

Storage History (1996-2003)
Total Inventory (BCF)

Storage Capacity

- SoCalGas' current storage capacity exceeds the current needs of its customers.

- If demand should increase, SoCalGas can accommodate additional requests for storage capacity relatively quickly.

  - Most of unbundled storage is purchased under short-term contracts.

  - SoCalGas can expand capacity at its existing reservoirs to meet incremental demand. However, there are physical limits to that expansion based on the physical characteristics of the reservoirs.

- SoCalGas and other market participants have investigated development of other local greenfield storage projects.

  - To date, those projects have not garnered sufficient market interest.

Storage vs. Pipeline Capacity

- Storage can be a substitute to interstate pipeline service in meeting a number of customer requirements:
  - Protection from interruption of flowing supplies
  - Protection from end-use curtailment on the LDC system
  - Price protection from short-term volatility in delivered cost of supply
  - Price arbitrage opportunity
- Storage has a unique role in meeting gas operations needs.
- Customer preferences dependent on:
  - Relative costs
  - Perceived reliability
  - Perceived volatility in commodity markets
  - Perceived frequency of "extreme" spikes in demand
  - Procurement strategy

Meeting Storage Needs

- SoCalGas and SDG&E believe core storage allocations are best addressed in the CPUC's overall review of demand, core reliability, capacity requirements and procurement strategies.

- Other noncore customers and other market participants are in the best position to evaluate how to manage their fuel procurement and transportation needs.

Role of Storage in the Western U.S.

- SoCalGas' storage services can be a much more valuable asset in meeting the needs of market participants in the Western U.S.

    - SoCalGas' storage is integrated with a pipeline system that provides access to multiple supply basins.

    - As additional electric generation capacity is developed, storage can assist customers manage operations and gas use cost effectively.

- To deliver this value for both on-system and off-system customers requires:

    - Firm receipt access rights in southern California

    - Off-system transportation service

    - More robust secondary storage markets

9